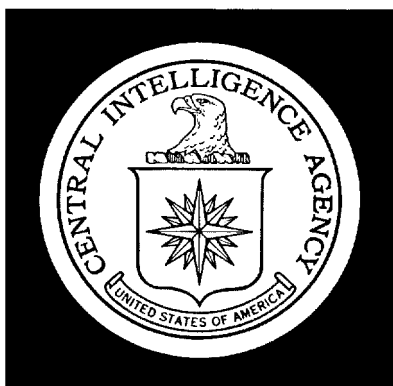


**Secret**



OFFICE OF  
NATIONAL ESTIMATES

## MEMORANDUM

*Venezuela: Caldera and the Military*

**Secret**

17 June 1970

## WARNING

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CENTRAL INTELLIGENCE AGENCY  
OFFICE OF NATIONAL ESTIMATES

17 June 1970

MEMORANDUM

SUBJECT: Venezuela: Caldera and the Military\*

Last year the community began to have doubts about Venezuelan President Caldera's ability to deal with continuing student riots, illegal strikes, a deadlocked Congress, and growing military unrest. In recent months the concern has eased. Caldera has taken a firmer stand against student and labor violence, he has mollified the military, and a new working agreement with the opposition seems likely to break the legislative logjam and get important economic programs moving again.

But Caldera's term has over three years to go, and more serious problems may lie on the horizon. The present paper points up the longer-range economic factors and political trends which might combine to challenge Caldera's administration -- and possibly revive the threat of a military coup -- as the elections of December 1973 draw near.

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\* This memorandum was prepared by the Office of National Estimates and coordinated with representatives of the Office of Current Intelligence, the Office of Economic Research, and the Directorate of Plans.

GROUP I

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1. Since the overthrow of Perez Jiménez in 1958, three successive popularly-elected governments in Venezuela seem to have established a commitment to democratic procedures. During the decade small groups of officers tried to organize revolts, and rumors of anti-government plotting among dissident military elements have persisted. But in no case has the discontent seriously threatened the survival of the system. The bulk of the military has appeared to be generally satisfied with its offstage role and content to leave political decision-making to the politicians.

2. Keeping the right balance between established civil authority and a still-powerful military establishment has not been easy. Under Caldera's Social Christian (COPEI) government, the relationship has if anything become less comfortable for both sides, as compared to the preceding era of Acción Democrática (AD). Having learned the hard way the dangers of ignoring the interests of the military during the short-lived AD government of 1945-1948, Presidents Betancourt and Leoni went out of their way to anticipate and defuse the causes of military unrest under their administrations of 1959-1969. Regular promotions and generous pay scales kept Venezuelan officers among the most affluent in

Latin America. The armed services' share of the national budget (about 10 percent) was never seriously questioned, despite other pressing national needs. And the armed forces were given a generally free hand in breaking the back of the guerrilla movement in the country.

3. In contrast, Caldera has tightened the government's rein on the military. Faced with debts inherited from his AD predecessors, greater demands on government revenues, and a slackening of economic growth during his first year in office, he suspended all promotions to general and ordered an eight percent cut in the military budget. With an eye on his small plurality in the December 1968 elections and on a Congress dominated by the opposition, he purged some officers with suspected anti-government tendencies and set up a special investigative unit under the Ministry of Interior to keep track of suspected conspirators. Discontent over pay and promotions appears to have caused some unrest in the services, particularly at the junior-grade level and there have been some indications of an upsurge in the chronic waves of coup talk.\*

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\* In late March a number of Army Officers were allegedly involved in some sort of anti-government conspiracy. Though the plot was not confirmed by the Caldera government, one account had it that the officers were seeking to form a government on the Peruvian model.

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4. Still, despite Caldera's apparent concern, anti-government plotting does not appear to pose a serious threat at this stage. Even if feelings against the government were widespread in the officer corps, a group of conspirators would be faced with formidable organizational and psychological obstacles. A successful anti-government action would require substantial army backing and at least the tacit approval of key leaders in the other armed services -- especially those with units in the Caracas area.\* But cooperation on such matters has always been difficult to organize and even more difficult to carry through to the point of actually challenging the government. Though hot-heads in this or that garrison may rebel sporadically (usually at some distance from the power centers in Caracas), most Venezuelan officers are sensitive to shifting political winds and are usually inclined to fence-sit until the pressures for united action become overwhelming.

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\* The armed forces, totaling roughly 43,000, are among the best-equipped in Latin America but smaller than those of other Latin American countries of comparable size, e.g., Chile, Colombia, and Peru. They include a 22,000-man Army, an 8,000-man Navy, a 3,100-man Air Force, plus the National Guard, a paramilitary force of some 10,000 men. In addition, there are three national police forces under various non-military federal and local jurisdictions with a combined total of 23,000 men.

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5. This natural caution is reinforced by inter-service competition and suspicion. Rivalry between the Army and the National Guard has persisted since 1946 when Betancourt made the Guard nominally coequal with the other three services. In addition, political cliques cut across professional interests within each service. Though intelligence on these cliques is scanty, they appear to be largely informal and often overlapping groups rather than clear-cut organized factions. Based in many cases on personal loyalty to an individual officer, they include remnants of AD partisans, inheritors of the old-style caudillo tradition, and followers of Perez Jiménez' more recent brand of military dictatorship. One group seems to have formed around Defense Minister Garcia Villasmil, an able and ambitious officer considered loyal to Caldera but a focal point for discontent among senior officers. Finally -- though again hard information is lacking -- there appears to be a number of officers, especially at the junior level, who have been inspired by Peru's Velasco and his experiment in military populism.

6. Caldera has skillfully manipulated his more controversial policies to keep his military opponents from uniting against him and their discontent within bounds. When the grumbling among

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officers over suspension of promotions became too audible, he backtracked and suddenly promoted 16 colonels to general early this year. When military impatience with student and labor disorders grew last fall, he closed Central University and ordered a crackdown against illegal strikes. Finally, though many officers have been angered by his pacification program and its "softness" on communism, he has been careful not to push the new look too far.\* He has permitted strong military action to continue against die-hard guerrilla bands who have rejected the government's offer of amnesty, and he has restricted the number of personnel the Soviets will be allowed to bring in to staff their new Embassy.

7. Under Caldera, as under his AD predecessors, the Guyana border issue has served as a safety valve for military unrest. Pressing a territorial claim revived by the Betancourt administration, Leoni gave military support to an unsuccessful revolt in the

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\* The Embassy describes Caldera's pacification program as a "style of government" which seeks to reincorporate the Marxist left into the body politic, to lower the level of violence, and to widen the government's options in foreign policy. In practice, the program has meant the re-establishment of diplomatic relations with the Soviet Union, legalization of the Venezuelan Communist Party, and attempts to entice anti-government guerrillas back into the legal political process.

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Essequibo region of Guyana during the last days of his administration. Caldera has not been as vigorous in pressing the claim, but he has continued the military presence and construction program along the border. Failure to negotiate a settlement with Guyana has now led both sides to consider a 12-year moratorium on the dispute. If such a stand-off is agreed upon, it could involve a military disengagement along the border. There are indications, however, that Prime Minister Burnham of Guyana might take advantage of a truce period to develop the largely barren Essequibo region in order to buttress Guyana's claim. If this happens, Venezuelan army officers (whose academy teaches a course on offensive operations which uses the Guyana border dispute as a model) would be likely to demand some type of a military reaction, and Caldera would feel renewed pressure to turn on the Guyanese safety valve again.

8. Still -- like student and labor problems, and the pacification program -- the Guyana issue does not appear to be the kind of thing that Caldera will let slip out of control. Even within the terms of a moratorium he will probably be able to keep the military construction along the border and the development program throughout the Southeast going at a pace and scope sufficient to satisfy the military's nationalistic spirit of adventure. On other

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larger political and economic issues, on the other hand, Caldera may have much less room for maneuver. During the remainder of his five-year term his major troubles are likely to come from his political opposition in the Congress and from an economy whose growth has been slowing down in recent years and which has failed to satisfy Venezuela's needs and expectations.

9. Though the economy is basically sound and Venezuelan per capita income the second highest in Latin America, government efforts to develop new industry and to expand and diversify agricultural production have not reduced significantly the country's overwhelming dependence on oil.\* The slow growth of oil exports since 1958 has reduced economic growth from an average annual rate of  $8\frac{1}{2}$  percent during the fifties to  $4\frac{1}{2}$  percent in the sixties. This, combined with one of the highest population growth rates in the hemisphere (3.6 percent), has resulted in a leveling off of per capita income and a drop in investment.

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\* Oil is the source of over 90 percent of export earnings and two-thirds of government revenue. The US, the biggest customer, currently takes about half of Venezuela's oil exports.

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10. Caldera's failure to achieve a satisfactory working relationship with his AD opposition has not helped matters. Over the past year he has been forced to rely on ad hoc majorities to get even minor bills through the opposition-dominated Congress.\* In early 1970 the impasse was finally broken when AD and COPEI agreed to work together to pass essential legislation. If the agreement holds up, the government will be able to move ahead on pending service contracts with the foreign oil companies and to initiate a major public investment program. The breaking of the legislative logjam will, Caldera hopes, produce badly-needed investment in the petroleum industry and get the economy moving again.

11. If, as now seems likely, the service contracts win AD's approval and are signed, they are likely eventually to increase the government's profits and possibly also to improve its managerial control over the country's remaining oil reserves. Over the shorter

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\* COPEI has only 16 of the 51 seats in the Senate (compared with AD's plurality of 19) and only 59 of the 216 seats in the Chamber of Deputies (compared with AD's plurality of 66).

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run they are likely to spur business confidence in the economy and to stimulate investment in non-petroleum sectors. The government hopes to encourage this trend through its planned investment program supported largely by foreign borrowing. The combination of public and private investment should give a healthy boost to economic growth over the next year or two.

12. But over the longer term Venezuela must depend on petroleum if the economy is to resume a high rate of growth. For a more permanent solution Caldera is looking to the US to redress the oil industry's deteriorating international position. During his visit here in early June he made a strong appeal for a US oil import policy which would give Venezuela the same preferential access to the US market that Mexico and Canada now enjoy. For Caldera, the long-range alternatives are clear: unless there is substantial improvement in Venezuela's position in the world and particularly in the US oil market, petroleum production and exports are unlikely to increase appreciably, and the government's ability to finance needed economic and social development programs and to promote export diversification will become increasingly strained.\*

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\* The US announcement, following the Caldera visit, that the US will increase oil imports from Venezuela by an unspecified amount during the second half of the year will undoubtedly strengthen Caldera's hand and give a psychological boost to the Venezuelan economy. Unless the increase leads to a substantial preferential position for Venezuelan oil in the US market beyond the current year, however, its political and economic effects are likely to be minimal and short-lived.

13. Thus, though Caldera is likely to resolve -- or at least postpone -- most of his economic and political problems over the next couple of years, he may find himself increasingly on the defensive as the end of his term draws near. His AD opposition, eager to return to power in the December 1973 elections, will almost certainly break its working arrangement with him and return to the attack.\* An economy that has failed to respond to Caldera's ministrations could become the major political issue for opposition leaders of the left and right who seek more drastic cures.

14. In this context the influence of the new breed of economic nationalists who resent Venezuela's seemingly unbreakable dependence on the US could be decisive. The new nationalist mood has been growing steadily across the political spectrum. It is best organized and most vocal in the business organization Pro-Venezuela, whose president, Reinaldo Cervini, seems to be trying to establish a new nationalist political movement outside the regular parties. But it has also gained support among writers, politicians, and ideologues of the Marxist and non-Marxist left.

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\* Particularly since Caldera is ineligible for re-election and, as a lame-duck President, will be politically vulnerable.

It is reflected, for example, in the nationalist slogans of the "Nueva Fuerza," a new congressional bloc formed by the three minor parties -- the Movimiento Electoral del Pueblo, the Unión Republicana Democrática, and the Fuerza Democrática Popular -- as a political alternative to AD and COPEI. Sensing the political winds, even the Venezuelan Communist Party -- seeking new respectability and perhaps anticipating a major target of opportunity for the new Soviet presence in the country -- seems to be moving toward closer cooperation with non-communist nationalist spokesmen of the left and center.

15. The effect of all this on the military is not likely to strengthen the commitment to constitutional government. Faced with an economy which is falling short of Venezuelan needs and expectations, Caldera will be hard put to avoid another round of belt-tightening in the military budget. But another squeeze on military pay and promotions and on new equipment purchases would almost certainly be regarded by most officers as a new threat to their status and role as guardians of the political order. For many of them the anti-US arguments of the economic nationalists would become increasingly persuasive, and some might begin to look outside the regular parties to the new nationalist movement for

political allies. This would be particularly likely if a deadlock between AD and COPEI again immobilizes the government and raises new doubts about the ability of the present political party system to achieve economic progress. In such circumstances Peru's military revolutionary regime might become an increasingly attractive model for political action.

16. Again, none of these trends is likely to pose serious problems for Caldera over the short term. But the ingredients are there, and their coalescence in the manner projected is plausible. In short, despite its seemingly firm democratic footing, Venezuela may not be all that immune to a revival of golpismo as Caldera approaches the end of his term.

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